

# Member NEWS *July 2005*

## Indiana Public Employees' Retirement Fund

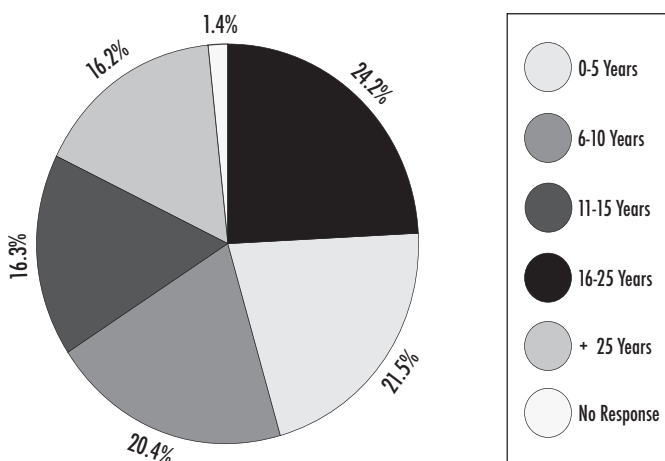
### PERF SURVEYS MEMBERS

**P**ERF surveyed customers representing active members from those beginning their careers to those nearing retirement age. The focus of the surveys was to determine customers' views on both current and possible new services. Through the surveys, PERF gained a strong sense of the direction the members want to see as we move forward.

Ninety-three percent (93%) want to receive a report reflecting their years of service. One member went so far as to say, "The addition of years of service would be a tremendous sight to see!" Service credit validation is a similarly critical issue for PERF's employers (see "Understanding Service Credit" on page three).

Members also indicated that they want online access. Overwhelmingly, our customers are saying they want more control to their accounts through the Internet and possibly automated phone technology.

**How many years of service in PERF?**  
(for members who completed the survey)



#### INVESTMENT SURVEY

The need for more self-service functions online has caused PERF to focus on giving members account access and the ability to change their information via the Fund's website.

Sixty-seven percent (67%) of those surveyed in a separate investment questionnaire have more than half of their Annuity Savings Account (ASA) in the Guaranteed Fund, and have not changed their options in the past two years. Only one-third of respondents rank themselves as somewhat knowledgeable investors. Only two percent had detailed knowledge of the ASA investment options; sixteen percent (16%) did not know there were ASA investment options.

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#### NEW GUARANTEED FUND RATE

# 5.75%

effective July 1, 2005

# PERF'S NEW EXECUTIVE DIRECTOR



*Appointed by Governor Mitch Daniels and the Board of Trustees: March 8, 2005*

**Born:** Louisville, KY

**Prior occupation:** Managing Partner of Estate Ventures, a real estate venture firm in Indianapolis

**Education:** Bachelors and Master's Degrees in Industrial Engineering from the University of Louisville

**O**n March 8, 2005, I proudly accepted an appointment by Governor Mitch Daniels to become PERF's Executive Director, and moved into public service from a career in the private sector.

I have spent much of my time and energy so far determining what our customers expect from us, asking the following questions: what is it we do well, what could we be doing better and what additional services would you like to see from PERF? The standards in 2005 and beyond revolve around meeting customer expectations of convenient access and individual choice.

In May, we surveyed active members, benefit recipients and employers searching for the changes they desire most from PERF. I have already begun to travel across the state to hear, firsthand, what our members and employers think of the Fund and how it can be improved. This process began with the Employer Advisory Group (EAG), which consists of representatives from various employers across the state – large and small. That discussion provided a lot of valuable insights about how PERF can improve relations with employers and members. However, the overriding theme was that our employers and members are willing partners in PERF's efforts to improve services.

*This transfer of focus from internal processes to customer service will be the hallmark of PERF's future, which I see as very bright.*

To keep track of our progress, we are implementing an agency scorecard. This measurement tool shows where we stand in terms of our goals and then allows us to set an ideal for each objective. I will report our progress to the Governor on a quarterly basis, and it will be a public document to hold us accountable.

The annual audit for fiscal year 2004 was completed with disappointing results. The State Board of Accounts report contained repeat findings around one central issue – a lack of strong internal controls. PERF needs to make further investments in people, processes and technology to develop a stronger internal control structure.

The first steps have already taken place to address these issues. Charles Johnson was hired as the Chief Financial Officer to focus on internal controls. Johnson worked for the State Board of Accounts for 20 years, the last eight of which he served as the State Examiner. He has a thorough knowledge of PERF's challenges and is reviewing our financial infrastructure issues. Dave Huffman was also hired as Chief Technology Officer to confront pressing technology issues. His expertise will help raise the level of systems management in re-engineering key processes to increase the speed and accuracy of information.

The governor recently appointed three new board members to provide fresh leadership for the Fund. Kendall Cochran, Kathy Etensohn and Matthew Murphy, III, will join Robert Welch, Jr., on the PERF Board. Charles Shalhiol, Director of Office of Management and Budget, will also join the board after July 1. One position remains open.

PERF has undergone many changes in recent years and has struggled to keep pace. New demands for services will inevitably increase. With this tremendous change comes a tendency to look inward for solutions, rather than reaching out to our member and employer partners to identify mutually beneficial responses to problems. This transfer of focus from internal processes to customer service will be the hallmark of PERF's future, which I see as very bright.

Sincerely,

David J. Adams  
Executive Director

# NEW RETIREMENT OPTION

**P**ERF will offer a new choice for members with an effective retirement date on or after July 1, 2005, who elect to withdraw their entire Annuity Savings Account balance in a single (lump sum) payment at retirement.

*PERF retirement benefits consist of two separate pieces:*

1. *A pension financed by your employer, and*
2. *Your Annuity Savings Account (ASA).*

Traditionally, the payout of the ASA was only done in conjunction with the pension benefit. In order to process the pension benefit, PERF must verify a great deal of information with you and your former employer(s). In difficult cases, this process can take six months or more to complete. The amount in your ASA, however, is not tied to that information and could be paid separately from your pension benefit.

As a new service, you may now choose to receive a lump sum payment of your ASA as soon as PERF verifies your final day in pay status. Payment of your ASA can be made while we work to finalize the information to make the payment of the pension portion of your benefit.

Members may also choose to wait for a distribution of their Annuity Savings Account with the pension benefit, combining their ASA and pension benefit into a lifetime annuity. They may also defer distribution until age 70<sup>1/2</sup>. This new payment option applies only to members who take a single payment of their ASA at retirement. The ability to request a partial lump sum withdrawal will be coming in the near future.

At retirement you will make a choice as to how you want your ASA paid to you. The ASA payment option you choose has a direct impact on the amount you receive from PERF each month. The table below is an example of how the payment choices differ.

## IMAGINARY PERF MEMBER:

- *Retires at age 65*
- *Final average salary - \$20,000*
- *Years of service - 25*
- *ASA balance at retirement - \$15,000*

PERF BENEFIT PAYMENTS	OPTION 1: lump sum (minus taxes) at retirement	OPTION 2: ASA combined with monthly pension benefit
PAYMENTS	W/ OPTION 1	W/ OPTION 2
One-time payment at retirement	\$ 12,000.00*	<i>not applicable</i>
Total monthly pension amount**	458.33	458.33
Total monthly annuity amount	<i>not applicable</i>	137.88
Total monthly benefit from PERF	<b>458.33</b>	<b>\$ 596.21</b>
Total received by a male over an expected retired lifespan of 16.4 years	<b>\$105,199.34 ***</b>	<b>\$117,334.12</b>
Total received by a female over an expected retired lifespan of 19.4 years	<b>\$121,699.22 ***</b>	<b>\$138,797.68</b>

\* 20% will be withheld for federal taxes

\*\* Normal retirement, no beneficiary age entered

\*\*\* Members of PERF have the option of continuing to invest their Annuity Savings Account after retirement until they reach the age of 70 1/2. This amount reflects a payment of the Annuity Savings Account by PERF at retirement with no additional investment income to the account after retirement.

## UNDERSTANDING SERVICE CREDIT

**S**ervice credit is the time you have been employed in PERF-covered positions throughout your career. Verifying that credit has a direct impact on our ability to provide timely and accurate service to you.

Your exact service for retirement must be verified by your employer, and is further complicated when more than one employer is involved or records stretch over decades. Earlier this month, we established a new team that consolidated all service certification efforts into one department.

### *Specialists will focus on:*

- Service credit associated with retirements processing
- Service credit reviews
- Purchase of additional service credit

This new section and improved technology will help us provide you the next level of customer service—a statement listing your service credit. Published service credit information will allow you to see your employment and earnings history and any identified problems in those areas can be addressed well in advance. It should also help you make more informed financial planning decisions about retirement.

Our mission in making these changes has the ultimate goal of providing better service to our members.

*The example on the left was prepared using the benefits calculator on PERF's website at [www.perf.in.gov](http://www.perf.in.gov). Your precise PERF retirement benefit can only be determined using your actual account information. Members are urged to consider their retirement options carefully and to consult with retirement counselors at PERF or a trusted financial advisor when making retirement choices.*

# LEGISLATURE INCREASES BENEFITS

**H**ere are changes in state laws affecting members of PERF that were passed in 2005 by the Indiana General Assembly and signed into law by Governor Daniels.

## COLA & 13TH CHECK

*The cost of living adjustment (COLA) affects benefits payable by PERF after December 31, 2005 in the following ways:*

- Members who retired or became disabled before July 2, 1990, will receive a two percent (2%) increase to the pension portion of their monthly benefit; and,
- Members who retired or became disabled after July 1, 1990, and before January 1, 2005, will receive a one and one-half percent (1.5%) increase.

The COLA increase in your monthly benefit is permanent. Any future additional adjustments are subject to legislative approval.

### 13th Check

A post-retirement increase in the form of a *13th check* will also be paid by PERF on or before December 1, 2005. Any person who was a retired member of the Fund (or a survivor or beneficiary of a retired member of the Fund), and was entitled to receive a monthly benefit on November 1, 2005, will receive the one-time additional payment.

## RE-EMPLOYED RETIREES ARE ABLE TO EARN MORE

For those retired PERF members who are receiving a benefit and want to return to work in a PERF-covered position, the earnings limitation has been raised to allow you to earn more money before it impacts your PERF benefit. The new earnings limitation is \$35,000 per year – a \$10,000 increase over the previous limit. What this means is that you may earn up to \$35,000, in a PERF-covered position, while continuing to receive your monthly benefit from PERF. However, once you reach the limit, PERF must stop your benefit payments until the following year. ***Once you reach the Social Security normal retirement age, there is no earnings limitation.***

## MINIMUM BENEFIT EXTENDED

The legislature extended the minimum pension amount PERF can pay to a retired member. The minimum benefit is \$180 and affects members who are entitled to receive a monthly benefit on December 1, 2004. For example, a member who would normally be entitled to a \$150 pension from PERF, as calculated under state law, would automatically receive an increase to the minimum pension amount of \$180.

### OFFICE OF MANAGEMENT AND BUDGET

The Office of Management and Budget (OMB) was created by Governor Mitch Daniels to oversee all financial institutions of the state, including PERF.

### CHANGES TO PERF'S BOARD OF TRUSTEES

The five-member PERF Board of Trustees has been expanded to six with the addition of the Director of the Office of Management and Budget, or his designee, effective July 1, 2005.

### PROTECTION OF SOCIAL SECURITY NUMBERS

State agencies may not release Social Security numbers unless required by law or court order, authorized by the individual, made to comply with the USA Patriot Act or Presidential Executive Order 13224 or disclosed to a commercial entity for permissible uses set forth in the Drivers Privacy Protection Act, the Fair Credit Reporting Act or the Financial Modernization Act of 1999. Revealing the last four digits of a Social Security number is not considered a disclosure.

### ELECTED COUNTY OFFICIALS

An individual who has been elected to county office at least two times, but who does not serve eight full years because the term is cut short to make terms uniform, is entitled to vested status in PERF.

### PRIVATE UNIVERSITY DEATH BENEFIT FUND

HB 1600 permits private universities to purchase coverage from the special death benefit fund for their firefighters and police officers. It also allows private colleges and junior colleges to purchase line-of-duty death benefit coverage for police officers.

### ANNUITY SAVINGS ACCOUNT

The PERF Board of Trustees may decide when to value a retired, disabled or suspended member's Annuity Savings Account. The board may also establish the date on which members who choose to defer receipt of their Annuity Savings Accounts may later choose to receive an account distribution. The board has also been given the authority to change account valuation dates and the date that investment options become effective. In addition, the board may decide the increments in which a member may invest and how frequently contributions will be allocated to member accounts.

### DEFERRED COMPENSATION PLAN AND RETIREMENT MEDICAL BENEFIT ACCOUNT

Political subdivisions may offer employees both the state employees' deferred compensation plan and a deferred compensation that uses one or more private vendors. This law also requires that state employees be able to convert unused accrued excess leave to the state deferred compensation plan or to a retirement medical benefit account that is required to be established by the PERF Board of Trustees.

# TEN-YEAR INACTIVE MEMBER ACCOUNTS

**D**o you have less than ten years of service in PERF-covered employment? Has it been more than 10 years since you were last employed in a PERF-covered position?

*If you answered "yes" to the questions above, you should know that you no longer earn interest on investments in the Guaranteed Fund.*

State law requires PERF to stop paying interest on suspended accounts with no activity for the past ten years for members with less than 10 years of service. A new law permits PERF to treat interest on suspended members' accounts prior to July 1, 2005, as properly credited. However, as of June 30, 2005, suspended members will no longer receive interest on their account.

Since you will no longer be collecting interest, you may want to consider taking a refund of your account. There are a number of different payment options available to you to fit your financial needs, including rollover options that allow you to defer taxes to a time that is appropriate for your financial situation.

If you return to PERF-covered employment at a later date, your prior years of service will be reinstated and added to any new service to be used towards eligibility for a future pension benefit.

## **45-YEAR RULE**

The sole exception to the ten-year inactive rule is if you leave PERF-covered employment but remain employed with the same employer. If you simply moved from a PERF-covered position to a position that is not covered by the fund within the same employer, you would be entitled to continue receiving interest credit for up to 45 years.

### **Examples of members affected by this exception:**

- University employees who work for less than ten years in a PERF-covered position, then accept another position within the university that is not covered by PERF;
- Full-time employees who work for less than ten years in a covered position, then accept a part-time position within the same employer that is not covered by PERF; or,
- An employee who works less than ten years in a PERF-covered position, then accepts a position with the same employer that is covered under another retirement fund.

## **PERF DOES NOT ENDORSE FINANCIAL PLANNERS**

*Some advisors selling financial products and services want you to think they are affiliated with PERF, or have some special relationship with us.*

However, PERF has no such relationships or affiliations. The fund does not recommend, and is not affiliated with, any financial advisors. We encourage you to utilize the services of a reputable financial advisor should you feel that is necessary. As a public agency, law prohibits us from offering financial advice. If you have any doubts or questions, please contact us.

## **Pre-Tax Voluntary Contributions**

On June 30, 2003, had you earned at least five years of creditable service? Does your employer permit a payroll deduction for voluntary contributions to PERF? If your answer to these questions is "yes," then we want to remind you that your window for choosing to make voluntary pre-tax contributions to your Annuity Savings Account will close Aug. 31, 2005.

Many employers, including the state of Indiana, began allowing their employees to choose this payroll deduction in 2003. Please check with your employer's payroll administrator to find out if your employer was one of these.

If you are eligible to choose the voluntary deduction, please remember that this option has important restrictions. You cannot stop or change the deduction percentage for as long as you work in a PERF-covered position once it is taken from your paycheck. If you leave but return to work for the same employer in a PERF covered position, even in a different position, the pre-tax deduction will resume.

Complete details about this option and others are available on the PERF website at [www.perf.in.gov](http://www.perf.in.gov).





## ACTIVE MEMBERS: PAY ATTENTION TO YOUR PERF!

### HOW TO CHANGE YOUR BENEFICIARY, NAME, OR ADDRESS:

1. Get a copy of the appropriate form.
  - Go to [www.perf.in.gov](http://www.perf.in.gov) under "Member Forms", OR
  - Call 1-888-526-1687 to request the form from a PERF Customer Service Representative.
2. Complete the form
3. Sign it
4. Send it to PERF by fax or mail.

*Changing your personnel file with your employer is not enough!  
Only you can change this information, and your signature must accompany any request for changes.*

## PERF TAKES SECURITY SERIOUSLY

To ensure the security of our members' information, all employees and contractors of PERF must submit to a check of federal and state background information before they begin work. Recently, the Federal Bureau of Investigation (FBI) audited our procedures and confirmed that PERF is in full compliance. We were also commended on our measures for securing that information. At PERF, we take keeping information confidential very seriously.



### CHOOSE DIRECT DEPOSIT!

Your monthly benefit will be transferred into your bank account on the 15th of each month. The form is available on our website ([www.perf.in.gov](http://www.perf.in.gov)) or call PERF's toll-free number to request one. Take it to your bank to have it filled out, sign it and send it to PERF by mail or fax.

## Member NEWS

A publication of the Indiana Public Employees' Retirement Fund, a system of six retirement plans designed in partnership with employers and elected officials to provide secure long-term retirement benefits for employees who choose careers in public service.

*All information in this publication applies solely to the Public Employees' Retirement Fund and not the other retirement plans administered by PERF.*

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